

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 310 – SB 1197

March 28, 2017

**SUMMARY OF ORIGINAL BILL:** Defines charter agreement as a fixed term renewable agreement between a public charter school and a chartering authority. Requires chartering authorities to adopt national authorizing standards for charter schools. Requires public charter schools to pay local boards of education an authorizer fee based on the percentage of the charter school's per student state and local funding allocated under Tenn. Code Annotated § 49-13-112 and sets forth a tiered structure to receive such fees.

The annual authorizer fee shall be calculated based on the following schedule: (1) If the local school board oversees one to ten public charter schools, the annual authorizer fee shall be three percent of the annual per student state and local allocations; (2) If the local school board oversees 11 to 20 public charter schools, the annual authorizer fee shall be two percent of the annual per student state and local allocations; and (3) If the local school board oversees 21 or more public charter schools, the annual authorizer fee shall be one percent of the annual per student state and local allocations.

Requires LEA charter authorizers to adjust payments to charter schools with changes to local funding no less frequent than in October, February, and June. Sets forth various changes relative to public charter school policy and procedures, including but not limited to, reporting requirements; authorizing chartering authorities to withhold funding from public charter schools for benefit and retirement services per a charter agreement; and setting charter school enrollment preferences.

Authorizes the Commissioner of the Department of Education (DOE) to establish a public charter schools facilities program. Requires the Public Charter Schools Facilities Fund (PCSFF) to be established as a separate account with the State Treasurer for the purpose of funding approved projects through the public charter schools facilities program subject to appropriations.

Authorizes costs for administering the public charter schools facilities program to be funded from the PCSFF. Prohibits amounts remaining in the PCSFF at the end of each fiscal year from reverting to the General Fund. Requires funds in the PCSFF to be invested by the State Treasurer.

#### FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures - \$6,000,000/FY17-18

Increase Local Revenue - \$2,490,800/FY17-18

Exceeds \$2,490,800/FY18-19 and Subsequent Years

Non-recurring funding in the amount of \$6,000,000 is included in the Governor's Recommended Budget Document for FY17-18 (page B-83) for the purpose of establishing the Public Charter Schools Facilities Fund.

**SUMMARY OF AMENDMENTS (004181, 006364):** Amendment 004181 deletes and rewrites the bill such that the only substantive changes are as follows: (1) to require charter authorizing standards approved by the SBE; (2) to change the beginning date of the collection of annual charter authorizer fees to the 2018-2019 academic year; (3) to limit the authorizer fee to the lesser of three percent of the annual per student state and local allocations, or \$35,000; (4) to require local education agencies (LEAs) to annually redistribute any unused funding that is received from the collection of the charter authorizer fee to its authorized public charter schools; and (5) to authorize conversion charter schools to enroll students who live outside of the local LEA's jurisdiction.

Amendment 006364 deletes and replaces language of the bill as amended to change the date on the prohibition of public charter schools from paying any administrative fee to LEAs for charter authorizing functions, except for the annual authorizer fee, from the effective date of the bill to the 2018-2019 school year.

#### FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

**Increase State Expenditures – \$6,000,000/FY17-18**

**Increase Local Revenue –**

**\$2,730,000/FY18-19/Local Education Agencies**

**Exceeds \$2,730,000/FY19-20 and Subsequent Years/Local Education  
Agencies**

**Non-recurring funding in the amount of \$6,000,000 is included in the Governor's Recommended Budget Document for FY17-18 (page B-83) for the purpose of establishing the Public Charter Schools Facilities Fund.**

Assumptions for the bill as amended:

- No change in the Basic Education Program (BEP) funding formula.
- The maximum \$35,000 authorizer fee per school is the lesser of the two options available to LEAs for assessing fees.
- Shelby County Schools oversees 45 charter schools. As a result, Shelby County Schools will receive a recurring increase in local revenue estimated to be \$1,575,000 (45 x \$35,000) beginning in FY18-19.
- Metro Nashville Public Schools (MNPS) oversees 28 charter schools. As a result, MNPS will receive a recurring increase in local revenue estimated to be \$980,000 (28 x \$35,000) beginning in FY18-19.
- Knox County Schools oversees one charter school. As a result, Knox County Schools will receive a recurring increase in local revenue estimated to be \$35,000 beginning in FY18-19.
- Hamilton County Schools oversees four charter schools. As a result, Hamilton County Schools will receive a recurring increase in local revenue estimated to be \$140,000 (4 x \$35,000) beginning in FY18-19.
- The total increase in local revenue in FY18-19 is estimated to be \$2,730,000 (\$1,575,000 + \$980,000 + \$35,000 + \$140,000).
- In FY19-20 and subsequent years, the recurring increase in local revenue is estimated to exceed \$2,730,000.
- Section 23 of the proposed legislation establishes the PCSFF for the purpose of administering the public charter facilities program for the purpose of assisting public charter schools in acquiring and improving property to educate students, including the purchase of property, general capital improvements to existing buildings and available buildings, assistance with any costs associated with the purchase or lease of underutilized or vacant property available, and for assistance with the repayment of debt incurred for existing capital outlay projects. Based on information provided by the DOE, a one-time state appropriation of \$6,000,000 from the state General Fund to the PCSFF will be required to effectuate this program.
- The Governor's proposed FY17-18 Budget Document (page B-83) has \$6,000,000 in non-recurring funding to establish the PCSFF.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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